



HOUSE
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Budget Digest

Chairman Steve Womack

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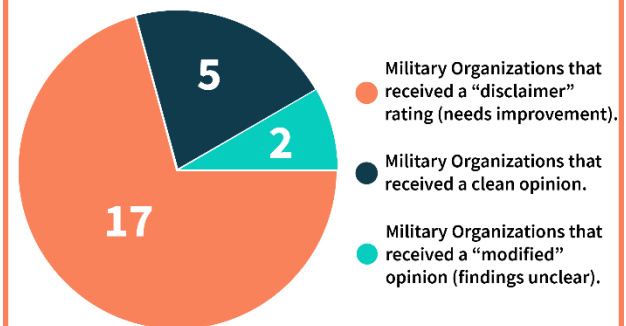
THE BUDGET COMMITTEE: DEPARTMENT OF DEFENSE FISCAL YEAR 2018 FINANCIAL STATEMENT AUDIT

Earlier this month, the Pentagon completed its first-ever full financial audit, fulfilling the requirement called for in the *Fiscal Year 2010 National Defense Authorization Act* and the recommendations of numerous House budget resolutions. The audit analyzed the Department's \$2.7 trillion in assets, including all property, and \$2.6 trillion in liabilities, such as obligations of the Military Retirement Fund and the Medicare-Eligible Retiree Health Care Fund (MERHCF). In addition to providing an overview of the Pentagon's financial status, the audit also provided financial performance results across the Pentagon - including all four military branches, Special Operations Command, MERHCF, Defense Commissary Agency (DeCA), and the Military Retirement Fund.¹

Audit Findings. More than 1,000 contract auditors, joined by approximately 150 auditors from the DOD Office of the Inspector General, visited over 600 military sites, tested over 90,000 sample items, and ultimately identified more than 2,000 findings. Of the total 24 stand-alone audits, 17 military organizations received a "disclaimer" rating, meaning multiple issues need to be fixed. Two entities – MERHCF and DeCA – received a "modified opinion," meaning the findings were unclear and further clarification is required to determine finding details.² The remaining five military organizations received a clean opinion. Of the 2,000 results, IT security comprised the single largest number of individual findings.³ The types of IT security issues identified included "segregation of duties, terminating user access when they depart, and monitoring the use of people who have special authorities."⁴

Ensuring Future Accountability. The audit did not find evidence of fraud and confirmed that all service branches could account for the existence and completeness of major military equipment. For several years, the House Budget Committee has partnered with the Armed Services Committee to call for a DOD-wide audit. The House Budget Committee commends the Department for executing its first audit; it is a critical first step in increasing agency accountability and transparency. Going forward, it is imperative that DOD - the Federal Government's largest agency - take the findings seriously and resolve all identified deficiencies. Addressing the findings of the first audit and undergoing planned subsequent audits will allow the Pentagon to address management shortfalls in a transparent way and fulfill its fiscal responsibility to the taxpayer.

FY 2018 DOD Audit Results



¹United States Department of Defense. "The Department of Defense Agency Financial Report for Fiscal Year 2018." November 16, 2018, https://comptroller.defense.gov/Portals/45/Documents/afr/fy2018/1-Foreword_About_the_DoD_Agency_Financial_Report_and_Table_of_Contents.pdf.

²The Pentagon has not provided in-depth details related to the disclaimer or modified opinions.

³Wesley Morgan. "Pentagon fails first-ever audit - as expected." November 16, 2018, <https://subscriber.politicopro.com/defense/article/2018/11/pentagon-fails-first-ever-audit-as-expected-976339>.

⁴United States Department of Defense. "The Department of Defense Agency Financial Report for Fiscal Year 2018." November 16, 2018, https://comptroller.defense.gov/Portals/45/Documents/afr/fy2018/1-Foreword_About_the_DoD_Agency_Financial_Report_and_Table_of_Contents.pdf.